EXCISE

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Oil 10-3 Libya

LIMDIS

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CONFIDENTIAL 671

PAGE 01 TRIPOLI 01875 081112Z

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [redacted] DATE 8/7/81
PORTIONS DENIED AS INDICATED

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ACTION AF-05

INFO OCT-01 SS-20 E-04 COM-02 IRSY-06 NSC-10 NSCE-00 INR-06
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C O N F I D E N T I A L TRIPOLI 1875

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SUBJ: GULF OIL COMPANY

1. EMBOFF INFORMED AUGUST 7 THAT GULF OIL MAY FOLD UP LIBYAN OPERATIONS AND ALLOW ITS THREE NON-ACTIVE PETROLEUM CONCESSIONS REVERT TO GOL SOMETIME IN AUGUST. [redacted] GULF WAS ADVISED BY MIN. PET MABRUK THAT IT LIABLE FOR TAX PAYMENTS AT RATE U.S. $70 PER SQUARE KILOMETER ON CONCESSION NO 66 (TOTAL AREA ABOUT 6900 SQUARE KILOMATERS). THIS DONE IN EFFORT GET GULF ACTIVELY EXPOIT ITS CONCESSION. (NORMAL TAX RATE IS $0.54 PER SQUARE KILOMETER FOR A PROSPECTING CONSESSION WHEREAS RATE GOES TO $ U.S. 70 WHEN OIL PRESENT IN COMMERCIAL QUANTITIES. GULF HAS LOCATED SIZEABLE OIL DEPOSITS IN BLOCK 66 BUT HAS NOT ENTERED INTO PRODUCTION. [redacted] LANGUAGE REGARDING DIFFERENT TAX RATE IN PETROLEUM CONCESSION AGREEMENTS IS AMBIGUOUS (I.E. WHETHER HIGHER TAX RATE COMES INTO EFFECT ON LOCATING THE OIL OR ONLY WHEN PRODUCTION STARTS). PAST PRACTICE HAS BEEN TO APPLY HIGHER RATE ONLY WHEN PRODUCTION STARTS.

2. GULF MADE COUNTERPROPOSAL INVITING LNOC INTO JOINT VENTURE TO EXPLOIT CONCESSION WHICH HAS 15 MILLION BARRELS PROVEN RESERVES AND 135 MILLION PROBABLE. GULF PROPOSAL CALLED FOR LNOC TO BUILD 238 MILE PIPELINE (12 - 14 INCH DIAMETER) (COST $14 MILLION) AND SUPPLY CASH ($2 MILLION) FOR DRILLING SIX WELLS. THEN LNOC AND GULF WOULD SHARE COSTS OF 36 ADDITIONAL DRILLINGS. (GULF TO DATE HAS INVESTED APPROXIMATELY $30 MILLION IN ITS LIBYA CONCESSIONS). MABRUK, WHO [redacted] LIKED IDEA OF GULF-LNOC JOINT VENTURE UNTIL HE HEARD OF LNOC'S CASH PARTICIPATION IN IT, REFUSED.

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PAGE 02 TRIPOLI 01875 081112Z

3. [redacted] COMPANY'S DECISION IS NOT YET FINAL BUT AN INCREASE IN POSTED PRICE OF TWENTY CENTS OR MORE COMBINED WITH GULF'S LIMITED PRODUCTION POTENTIAL WOULD MAKE CONTINUED OPERATION IN LIBYA ECONOMICALLY VERY RISKY. MABRUK WANTS COMPANY'S DECISION ON PAYMENTS OF ACCUMULATED TAXES (AMOUNT UNKNOWN) BY AUGUST 20 BUT GULF [redacted] PROBABLY WILL DECIDE FOLD UP ITS TENT RATHER THAN PAY TAXES. GP-4.
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